

# REPORT

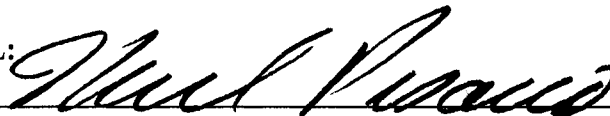
**DATE:** June 2, 2005

**TO:** Administration Committee  
Regional Council

**FROM:** Debbie Dillon, Supervising HR Officer, 213.236.1870, dillon@scag.ca.gov

**SUBJECT:** Merit Pay PERS-ability for Lump Sum Payments

**EXECUTIVE DIRECTOR'S APPROVAL:**



## **RECOMMENDED ACTION:**

The Personnel Committee recommends that the Administration Committee approve lump sum merit payments as CalPERS covered compensation, subject to CalPERS written approval.

## **BACKGROUND:**

On June 7, 2001 the Regional Council approved recommendations included in the Compensation study conducted by Personnel Concepts, Inc. One component of that study was the recommendation to implement a Pay for Performance Program. The parameters of that study have been the basis for SCAG's new performance evaluation process and compensation planning over the course of the last two plus years.

In 2003, the Pay for Performance/Merit Pay was implemented for senior level employees and above. In July 2004, the Regional Council approved a two-year pilot program to extend Merit Pay to all employees. In 2003 and 2004, employees who were at the top of the salary range received a non-CalPERSable lump sum equivalent to the percentage that was over the top of the salary range. This means that CalPERS does not treat the lump sum as part of an employee's compensation for retirement purposes. There are currently sixteen employees at the top of the range. Several of these employees have been topped out for more than three years. There may be approximately six more employees affected after the next round of merit payouts in July 2005. This represents 20% of the total workforce since there are 111 full-time budgeted positions in FY 2005/2006. SCAG staff does not receive cost of living adjustments and they do not receive step increases. Merit pay is the only form of compensation increase available to SCAG staff.

The salary ranges may be adjusted annually if they are determined by a salary survey to no longer be at the Regional Council approved 75th percentile of comparable market. The Personnel Concepts study recommended conducting a bi-annual survey to maintain competitiveness to the labor market. A salary survey is conducted annually to determine if adjustments are necessary. Any suggested changes to the ranges are provided to this committee prior to implementation.

## **FISCAL IMPACT:**

None. SCAG currently budgets 5% of base pay plus fringe costs for all merit pay adjustments. This recommended action could be absorbed within the 2005/2006 staff budget.